

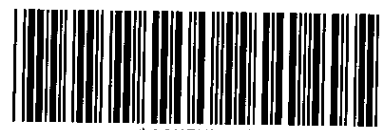
Company Registration No. 05578161

Txtlocal Limited

Annual report and financial statements

For the year ended 31 March 2021

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Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

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Txtlocal Limited

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Officers and professional advisers

Directors

Jayesh Patel
Michael Jefferies
Mark Fallowfield-Smith

Registered Office

c/o IMImobile
5 St. John's Lane
London
EC1M 4BH
United Kingdom

Bankers

Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London
EC2A 1BR
United Kingdom

Txtlocal Limited

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Strategic report

The directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Txtlocal is a cloud-based, self-serve platform that allows SMEs to have instant, affordable access to SMS messaging and mobile marketing tools. The platform is easy to sign-up for and begin deploying mobile messaging campaigns and services without the need for advance training and has been widely adopted by SMEs and large brands alike. In addition to basic SMS messaging, Txtlocal supports file attachments, surveys, landing pages, data capture forms, ticketing, coupons, vouchers, loyalty cards and other value-added features. It provides sophisticated data import, target group definition, audit logs and role-based access control which make the product ideally suited for enterprise usage whilst providing an extremely intuitive and easy-to-use interface for simpler use cases. Customers can benefit from increased customer engagement and marketing ROI through SMS marketing.

Following the acquisition of the Company's immediate parent company and its subsidiaries by Cisco in February 2021, there has been a significant amount of work to integrate the business into Cisco through sales collaboration, product integrations and the onboarding of our employees. This work is still in progress and we look forward to an acceleration of the integration over the coming months.

Trading performance to 31 March 2021

The COVID-19 pandemic significantly impacted the Company as smaller businesses closed or scaled back operations, resulting in a 13% decline in revenue from £17,336,908 during the year ended 31 March 2020 to £15,138,450 for the year ended 31 March 2021. The Company was still able to make a profit of £424,023 in the year (2020: £2,750,353) thanks to the measures it took to reduce costs during the impacted period. The full trading performance for the year is shown on page 8.

The Board is satisfied with the Company's performance, and the Company has now made a full recovery, even reporting some record volumes in recent months and has won several new flagship logos including a significant win with one of the leading survey companies in the world.

Going concern

The Company has net current assets of £7,774,413 (2020: £7,200,934). After careful consideration of the principal risks and uncertainties facing the business, outlined below, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Key performance indicators

The directors of the ultimate parent undertaking, IMImobile Limited (formerly PLC), manage the Group's operations on a regional basis. For this reason, the Company's directors believe that the most useful analysis of key performance indicators is with reference to the development, performance and position of the Europe region of IMImobile Limited, which includes the Company. This is disclosed in the Strategic report of the IMImobile Limited Annual Report and Financial Statements for the year ended 31 March 2021, which does not form part of this report.

Future prospects

The Company continues to offer both innovative and targeted solutions that solve real business issues. With an agile organisation, capable of responding to the rapidly evolving market for the software, solutions and professional services provided by the Company, the directors are confident of the Company's future prospects.

In general, COVID-19 has driven an acceleration in the digital communication strategies of large enterprises and, although it has undoubtedly created challenges, it has also demonstrated the mission-critical nature of the interactions we deliver for our customers.

The Company is at a very exciting stage with technology developments creating momentum in the customer communications sector for more automation and use of digital channels. We continue to have good earnings visibility due to our established client relationships, healthy pipeline of new deployments and high proportion of recurring customer revenues, the directors are confident of the prospects for the year ahead.

Today, the IMImobile group manages billions of mission-critical interactions and orchestrates some great customer experiences for an incredible blue-chip client list. The sale to Cisco for \$730m reflects both what has been achieved in creating market leading technology and the substantial opportunity going forward.

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Research and development

The Company continues to invest in research and development activities, driven by both specific customer and market requirements for more innovative and cutting-edge technology and services. It is critical that the Company maintains its market-leading platform to deliver its products and solutions for its clients.

Principal risks and uncertainties

Dependence on key personnel

The Company's future success is substantially dependent on the continued services and performance of its senior management, each of whom has significant relevant experience. Following the acquisition by Cisco long term retention incentives have been provided to the leadership team and key executives of the Company. Cisco also ensure that the remuneration of all employees is regularly benchmarked against key competitors.

Data privacy and regulatory compliance

Certain activities of the Company and its customers may require the implementation of appropriate privacy and security policies or explicit end user opt-in and compliance with the general data protection regulations (GDPR) which affect how personal data is processed and stored. These laws and regulations may also affect the types of communication which are allowed based on permissions given by end users. Failure to comply with the laws governing the management of end user and customer data could result in fines, damage to reputation or the loss of customers. The Company has invested heavily in its products, platforms and processes in order to ensure market leading technology and practice are built-in to the solutions provided to its customers.

Technological change

The Company operates in markets that are subject to constant technological development, evolving industry standards and changes in customer needs. Therefore, the Company is subject to the effects of actions by competitors in these markets and relies on its ability to anticipate and adapt to constant technological changes taking place in the industry. To maintain its strong position in the market, the Company needs to successfully market its products and services and respond to both commercial actions by competitors and other competitive factors affecting these markets, anticipating and adapting promptly to technological changes, changes in consumer preferences and general economic, political and social conditions. The company employ product and solution specialists who monitor market developments and keep the product offering relevant for the market in which the company operates.

Cyber security

Security of customer, employee and commercial data represents an increasing reputational and financial risk. Many of the Company's customers are high profile and recognisable brands, and a failure to maintain best in class security protocols and systems could result in significant damage to the Company. The increasing trends around cyber crime suggest that this risk will continue to increase over time.

The Company invests in best-in class software and platforms for proactively managing cyber security, and maintains various security certifications including ISO 27001. Company staff undergo regular training and are kept aware of evolving risks.

The Company also benefits from working with some of the best Global businesses with extremely high security standards, requiring regular and detailed audits of their suppliers. Following acquisition by Cisco the Company also expects to benefit from a broader and deeper pool of expertise in this area which is expected to result in improved policies and practices.

Significant failure or interruption to network or IT systems

The Company's business depends on providing customers with highly reliable platforms and services. Unanticipated network, or other, interruptions (whether accidental or otherwise) may occur as a result of system failures, including hardware or software failures, which affect the quality, or cause an interruption in the Company's supply of services. Such failures can result from a variety of factors within the Company's control, including human error, equipment failure, power loss, failure of services related to the internet and telecommunication networks, as well as factors outside of the Company's control, such as system failures of network service providers, fire, earthquake, adverse weather and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Company and terrorism. The Company's infrastructure is hosted mainly using third party data centres. Third party hardware and software support contracts are in place. Connectivity to multiple networks also provides mitigation against elements of this risk.

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

COVID-19 or other global pandemic

The COVID-19 pandemic has had wide-ranging impacts on the Global economy and further surges from new variants or other global pandemic could impact the Company's employees, suppliers and customers as a result of restrictions in movement, including:

- Reduction in interaction and therefore revenues from certain customer verticals or in certain geographies
- Reduction in ability to identify and win new sales opportunities
- Increase in likelihood of bad debt from customers in financial distress
- Increase in volume of financially motivated cyber attacks

The Company maintains and tests detailed business continuity plans covering remote working and back-up measures to ensure that support and services provided to customers can be maintained remotely. The major debtors of the Company are made up of large corporates and therefore less likely to default on credit obligations. The Company's well established information security controls are continually reviewed and enhanced.

The Strategic report was approved by the Board and signed on its behalf by:



Mike Jefferies
Director

23 December 2021

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 March 2021.

Following the acquisition of IMImobile Limited (formerly IMImobile PLC) and its subsidiaries by Cisco in February 2021, the ultimate parent company is now Cisco Systems Inc. Txtlocal Limited still sits within the by IMImobile Limited group.

Principal activities

The principal activity of the Company in the year under review was to provide a cloud-based, self-serve platform that allows SMEs to have instant, affordable access to SMS messaging and mobile marketing tools text messaging provider.

Charitable donations

During the year the Company made charitable donations totalling £nil (2020: £nil).

Dividends

The Directors are not recommending a final dividend for the year (2020: nil). No interim dividend was paid during the year (2020: nil).

Strategic report

The Strategic report covers pages 2-4. The Company has chosen to set out certain matters in this Strategic report that would otherwise be required to be disclosed in the Directors' report. These matters are disclosures concerning research and development (page 3), likely future developments in the business (page 2) and going concern (page 2).

Section 172 statement

Our Workplace

We recognise that our employees are our greatest asset and critical to business success. We continue to invest in developing our employees and encourage teams to develop their skills and keep up to date with new technologies, market developments and business processes.

We use our internal communications platform, Workplace, to encourage employees to share knowledge across the business, recognise colleagues for outstanding work, announcing new customer wins and asking questions if they need help. We also regularly host Townhalls with Live Q&A sessions which all staff are invited to attend and ask questions directly about business updates. We also have an online feedback tool where all employees can anonymously submit any feedback and provide thoughts or suggestions on any aspect of the business and have regular employee pulse surveys to keep in touch with how our colleagues are feeling.

During the COVID-19 pandemic, we encouraged our employees to adopt a healthy lifestyle and the physical and mental wellbeing of our teams is one of our highest priorities. We hosted a number of wellbeing programmes to support our teams working remotely including stress management training, virtual social events such as escape rooms and quizzes, as well as supporting parents whilst schools were closed through virtual activities for children.

Our Community

One of our core values is to make every interaction with society matter and we actively encourage employees to try and make a difference and contribute to positive change. We encourage our teams to follow these three principles to help us to live this value:

- I strive to do the right thing and consider my environmental impact
- I work on personal projects that make a difference
- I do what I can to increase inclusion and diversity

This year, we established a green team which has representatives from all of the regions in which we operate. The green team has run a number of educational initiatives in the last year to try and create awareness around ways that employees can actively reduce their carbon footprint. Following the Black Lives Matter movement, we also signed an open letter that demanded action on Black inclusion for businesses which you can read on our website.

Our Customers and Suppliers

We are dedicated to providing and maintaining the highest standards in all aspects of the organisation's relationships with clients, staff and suppliers.

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

These standards not only apply to all professional advice supplied by our business, but also to the organisation's ethics, behaviour and relationships. We seek on-going and continuous improvement of quality and are committed to:

- Clear identification and definition of client requirements as a first step to ensure customer satisfaction;
- Staff commitment to a quality and continuous improvement approach;
- Helping staff develop their competencies towards business objectives;
- Ensuring that our supply chain operates in an ethical and responsible manner;
- Using a continuous improvement approach in all aspects throughout the business; and
- Regularly reviewing systems, covering effectiveness and any non-conformance issues.

Our Environment

The environmental impact of the business is relatively low as we have no manufacturing facilities and many of our cloud-based solutions reduce environmental impact for our clients through digital communications.

At present, we have implemented the following sustainability initiatives:

- Reducing travel emissions through cycle to work schemes, discounted rail fares, pollution checking for employee vehicles etc.;
- Use of video conferencing software, Microsoft Teams and Cisco Webex, to limit the number of in-person meetings;
- Supporting flexible working where possible;
- Reducing paper and ink wastage through automatic double-sided printing; and
- Upholding good office practices such as recycling and limited use of single use or plastic materials.

As mentioned, we have now established a green team and look forward to working with the Cisco sustainability teams to make further improvements in the next year.

Financial risk management objectives and policies

Policies

The Company's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including liquidity risk, credit risk, interest rate risk and foreign currency risk. It is the objective of the Company to minimise these risks where possible by maintaining and operating a robust control environment. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company currently does not use derivative financial instruments to manage its exposure to these risks.

Liquidity risk

As regards liquidity, the Company's policy has throughout the year been to ensure continuity of funding. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

All payables (note 13) are due to be paid within twelve months of the balance sheet date.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables. It is the Company's policy to minimise its credit risk exposure by reviewing the recoverability of trade receivables at the balance sheet date and considers any change in the credit quality of the debtor on an individual basis from the date the debtor was created to the date the balance is settled.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date can be found within note 12.

Interest rate risk

Historically the Company has financed its operations through a mix of equity and debt to help minimise its exposure. The Company minimises its risk to interest fluctuations by negotiating a fixed rate of interest on all external debt. At the balance sheet date the Company held cash and cash equivalents of £1,639,542 (2020: £2,090,146) and had no external debt.

Txtlocal Limited

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Currency risk

The Company's policy is to conduct the majority of its sales in UK Pounds Sterling. The Company has a small amount of trading with overseas customers which are settled in foreign currencies. The Company monitors its exposure to currency by regularly reviewing its cash balances and matching these with future and forecast requirements.

The Company at the year end held cash at bank amounts of €277,955 (2020: €292,993) for which the UK Pounds Sterling equivalent was £236,984 (2020: £251,271).

Financial assets

The Company has no financial assets, other than short-term receivables and cash and cash equivalents.

Directors

The directors who served during the year and to the date of this report unless otherwise stated were as follows:

Jayesh (Jay) Patel
Michael (Mike) Jefferies
Mark Fallowfield-Smith

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Mike Jefferies
Director
23 December 2021

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

Statement of comprehensive income for the year ended 31 March 2021

	Notes	2021 £	2020 £
Revenue	3	15,138,450	17,336,908
Cost of sales		(9,271,544)	(10,884,137)
Gross profit		5,866,906	6,452,771
Administrative expenses		(5,183,969)	(3,538,669)
Operating profit	6	682,937	2,914,102
Finance income	7	-	1,427
Finance costs	8	(3,591)	(4,747)
Profit before tax		679,346	2,910,782
Tax	9	(255,323)	(160,429)
Profit for the year and total comprehensive income		424,023	2,750,353

The profits stated above are all derived from continuing operations.

The accompanying notes are an integral part of the financial statements.

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Annual report and financial statements for the year ended 31 March 2021

Statement of financial position as at 31 March 2021

	Notes	2021 £	2020 £
Non-current assets			
Property, plant and equipment and right-of-use assets	10	123,538	214,729
Deferred tax asset	11	3,761	46,390
		<u>127,299</u>	<u>261,119</u>
Current assets			
Cash and cash equivalents		1,639,542	2,090,146
Trade and other receivables	12	26,379,617	20,508,830
		<u>28,019,159</u>	<u>22,598,976</u>
Current liabilities			
Trade and other payables	13	(17,470,433)	(12,940,027)
Contract liabilities		(2,393,139)	(2,372,856)
Tax payable		(324,446)	(30,219)
Lease liabilities	14	(56,728)	(54,940)
		<u>7,774,413</u>	<u>7,200,934</u>
Net current assets		<u>7,774,413</u>	<u>7,200,934</u>
Total assets less current liabilities		<u>7,901,712</u>	<u>7,462,053</u>
Non-current liabilities			
Lease liabilities	14	(25,728)	(82,444)
		<u>7,875,984</u>	<u>7,379,609</u>
Net assets		<u>7,875,984</u>	<u>7,379,609</u>
Equity			
Called-up share capital	15	2	2
Share-based payment reserve	15	404,041	325,152
Retained earnings	15	7,471,941	7,054,455
		<u>7,875,984</u>	<u>7,379,609</u>
Total equity		<u>7,875,984</u>	<u>7,379,609</u>

The accompanying notes are an integral part of the financial statements.

For the year ending 31 March 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements of Txtlocal Limited (registered number 05578161) were approved by the Board of Directors and authorised for issue on 23 December 2021.

Signed on behalf of the Board of Directors.



Mike Jefferies
Director

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

Statement of changes in equity for the year ended 31 March 2021

		Called-up share capital	Share-based payment reserve	Retained earnings	Total equity
	Notes	£	£	£	£
At 1 April 2019		2	261,916	4,281,303	4,543,221
Total comprehensive income for the year		-	-	2,750,353	2,750,353
Share-based payment expense	17	-	63,236	-	63,236
Deferred tax on share-based payments	11	-	-	(1,633)	(1,633)
Tax relief on exercised share-based payments		-	-	24,432	24,432
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020		2	325,152	7,054,455	7,379,609
Total comprehensive income for the year		-	-	424,023	424,023
Share-based payment expense	17	-	78,889	-	78,889
Deferred tax on share-based payments	11	-	-	(6,537)	(6,537)
		<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2021		<u>2</u>	<u>404,041</u>	<u>7,471,941</u>	<u>7,875,984</u>

Txtlocal Limited

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Notes to the financial statements

1. Accounting policies

The Company is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. These financial statements are presented in UK Pounds Sterling because that is the currency of the primary economic environment in which the Company operates. The registered address is shown on page 1 and the principal activity of the business is included in the Directors' report on page 5.

Basis of accounting/statement of compliance

The Company meets the definition of a qualifying entity under FRS 100 (Financial reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure framework' as issued by the Financial Reporting Council.

The Company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

As permitted by FRS 101, exemption from disclosing standards not yet effective has been taken.

The adoption of the amendments to IFRSs and new interpretations that are mandatorily effective during the year has not had any material impact on the disclosures or on the amounts being reported.

The Company has also taken advantage of the exemption from the requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of the Group where those party to the transaction are wholly owned by a member of the Group and the requirements in IAS 7 *Statement of cash flows*, IFRS 7 *Financial instruments: disclosure* and IFRS 15 *Revenue from Contracts with Customers* the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129.

The financial statements have been prepared under the historical cost convention and under the going concern assumption.

The principal accounting policies applied in preparation of the Company financial statements are set out below.

Foreign currencies

The Company financial statements are presented in UK Pounds Sterling ("the presentational currency" and "the functional currency").

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Going concern

The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic report and Directors' report.

At 31 March 2021 the Company had net assets of £7,875,984 including £1,639,542 of cash and cash equivalents (2020: net assets of £7,379,609 including £2,090,146 of cash and cash equivalents) and made a profit of £424,023 (2020: £2,750,353).

In determining whether the financial statements should be prepared on the going concern basis, the Directors considered the Company's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and the principal risks and uncertainties relating to its business activities.

The COVID-19 pandemic has had wide ranging impacts on the Global economy and the potential impact on the Company's customers, suppliers, employees and operations is considered in the Strategic report on page 2.

Based on cash flow forecasts which take into account the Directors' best estimate of current sales orders and opportunities, expenditure forecasts as well as the Company's current cash balance, the Directors consider it appropriate to prepare the Company's financial statements on a going concern basis.

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers*. The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers or provides control of a product or service to a customer.

Where the Company enters into arrangements to deliver multiple elements (such as a perpetual license together with a period of servicing and maintenance), such elements are separated for recognition based on stand-alone value where sold and delivered as separate performance obligations. If such elements cannot be separated they are treated as a single performance obligation and recognised over the period of delivery when the criteria for recognition have been met. Amounts incurred but not yet billed are classified as contract assets. Revenues are typically billed up to 30 days after month end and classified as contract assets until this point.

Monthly recurring revenue

Revenues from hosting and for access to the Company's cloud-based communications and CPaaS software, including the use of shortcodes to run the service, form a single performance obligation and is recognised over the period of the contract as the customer simultaneously receives and consumes the service.

Revenue share from content related sales and usage-based revenue from messages sent across multiple channels is triggered by the actions of the Company's customers (or their end users) using the relevant platform they are connected to. Revenue is recognised at a point in time as the content sale or message delivery is generated.

Revenue generated from the provision of professional services to manage software applications for customers are recognised pro-rata over the period the services are provided.

Non-recurring revenue

Non-recurring professional service revenues relate to one-time configuration, setup and change requests and are recognised at the point the customer is able to use the service for its intended purpose, or upon completion of designated milestones where the Company has an enforceable right to payment.

Costs recharged by other companies in the IMImobile Limited (formerly IMImobile PLC) group

The Company is recharged costs borne on its behalf by other group companies. These costs are recharged at an arm's length price.

Tax

The Company's tax charge is the sum of total current and deferred tax charges.

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Txtlocal Limited

Annual report and financial statements for the year ended 31 March 2021

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of deferred tax assets is determined by reference to the Company's estimate of recoverability, using models where appropriate to forecast future taxable profits. Deferred tax assets have only been recognised where the Company considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised. If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

The carrying amount is reviewed at each balance sheet date. If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment and right-of-use assets

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Projects under which assets are not ready for their intended use are carried at cost and are only depreciated once they are ready for use.

When assets are sold, their cost and accumulated depreciation are eliminated and any gain or loss resulting from their disposal is included in the consolidated income statement.

Depreciation is computed on a straight-line basis over the estimated useful lives of operational assets. The estimated useful lives by class of asset are as follows:

Computer equipment	3 - 4 years
Fixtures and fittings	4 years
Right-of-use assets	Lease term

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial assets

Cash and cash equivalents, trade and other receivables (excluding prepayments) and tax receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future of cash flows of the investment have been impacted.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade receivables and contract assets. It is the Company's policy to minimise its credit risk exposure. This includes undertaking careful due diligence of new customers and getting full or part payment in advance of providing services where credit risk is considered higher. The Company regularly reviews existing customers on an individual basis for changes in the credit quality of trade receivables and contract assets from the date the receivable was created to the date the balance is settled.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets and amounts due from related parties. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

To measure the expected credit losses, trade receivables and contract assets have been grouped together based on shared credit risk characteristics and the days past due. The Company has deemed that the contract assets balance has substantially the same risk characteristics as trade receivables and has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The ECL is calculated through assessing the probability of the non-payment of the customer, this probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the trade receivables and contract assets. If a balance is confirmed as not be collectable, the gross carrying value of the asset is written off against the associated provision.

Derecognition of financial assets

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All cash and cash equivalents are measured at amortised cost. The Company discloses cash on a net basis where it has the right to offset.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Trade and other payables, tax payables and lease liabilities are measured subsequently at amortised cost using the effective interest method.

Interest expenses and exchange rate gains and losses are recognised in profit or loss. Gains or losses in connection with derecognition are also recognised in profit or loss.

Employee benefits

Defined contribution plan

The Company operates defined contribution plans for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. These contributions are expensed in the period they are incurred.

Employee share-based payments

The share option programme allows employees to acquire shares within the Group, being IMImobile Limited (formerly IMImobile PLC) and its subsidiaries. The Group operates a number of equity-settled, share-based payment plans, under which the Company receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in equity. The total amount to be expensed is measured at the grant date by reference to the fair value of the options granted measured using the Black-Scholes option valuation model:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied and the employees become unconditionally entitled to the options.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on expected leavers and estimated achievement for the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The social security contributions payable in connection with the grant of the share options are included in the share-based payment charge except where they are payable by the employee.

Where options are cancelled by the Group and settled in cash the expense is accelerated in the period in which the options are settled, with the cash payment recognised in the share-based payment reserve.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Critical accounting judgements

Management do not consider there to be any critical accounting judgements.

Key sources of estimation uncertainty

Management do not consider there to be any key sources of estimation uncertainty.

3. Revenue

Materially all revenue was derived from the Company's principal activities to customers based in the UK.

During the year the Company recognised revenue of £2,372,856 (2020: £2,451,379) related to contract liabilities carried-forward from the prior year. No revenue was recognised in either year from performance obligations satisfied (or partially satisfied) in prior years. All remaining performance obligations are comprised of contract liabilities of £2,393,139 at 31 March 2021 (2020: £2,372,856).

4. Directors' remuneration

The directors are considered to be the same as the key management personnel in the Company.

The directors are remunerated through IMImobile Europe Limited, a fellow subsidiary of IMImobile Limited (formerly IMImobile PLC). No remuneration is received specific to the Company and it is not practicable to allocate directors remuneration between services to the group and this company. The financial statements of IMImobile Europe Limited may be obtained by request from IMImobile, 5 St. John's Lane, London, EC1M 4BH.

5. Employee benefits

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2021 Number	2020 Number
Sales and Managed Services	19	22
Development and product management	8	7
Operations and technical support	8	9
Common functions	8	9
	<u>43</u>	<u>47</u>

The aggregate payroll costs of these persons were as follows:

	2021 £	2020 £
Wages and salaries	1,665,104	2,067,347
Social security and taxes	191,345	214,879
Pension costs – defined contribution plan (note 16)	62,362	60,429
Share options granted to Directors and employees (note 17)	78,889	63,236
	<u>1,997,700</u>	<u>2,405,891</u>

6. Operating profit

	2021 £	2020 £
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	97,740	94,602
Staff costs (note 5 – including share-based payment charge)	1,997,700	2,405,891
Loss/(gain) on foreign exchange transactions	119,868	(40,708)
	<u>2,215,308</u>	<u>2,459,795</u>

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7. Finance income

	2021 £	2020 £
Bank interest income	-	1,427

8. Finance costs

	2021 £	2020 £
Bank loans and overdrafts	12	35
Interest in relation to lease liabilities (note 14)	3,579	4,712
	<u>3,591</u>	<u>4,747</u>

9. Tax

	2021 £	2020 £
UK corporation tax		
Current tax expense for the year	-	24,435
Adjustments in respect of prior periods	219,231	139,203
	<u>219,231</u>	<u>163,638</u>
Deferred tax (note 11)		
Deferred tax expense for the year	36,092	761
Adjustments in respect of prior periods	-	(3,970)
	<u>36,092</u>	<u>(3,209)</u>
Total tax expense	<u>255,323</u>	<u>160,429</u>

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year.

The tax expense for the year can be reconciled to the profit in the income statement as follows:

	2021 £	2020 £
Profit before tax	679,346	2,910,782
Current tax at the UK corporation tax rate of 19% (2020: 19%)	129,076	553,049
Expenses not deductible for tax purposes	(54,689)	9,636
Effect of change in UK tax rate	-	(5,273)
Tax adjustments in respect of prior year	219,231	135,233
Group relief	(38,295)	(532,216)
Total tax expense	<u>255,323</u>	<u>160,429</u>

The main rate of UK corporation tax in the period was 19%. In March 2020, the Chancellor announced that the planned reduction in the corporation tax rate to 17% from 1 April 2020 would no longer take place, and the rate would remain at 19% going forwards. Following a Budget resolution on 17 March 2020, the 19% rate was substantively enacted. Accordingly, deferred tax balances have been recognised at 19% in the period. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. The Finance Act 2021 was enacted on 10 June 2021. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to decrease the tax expense for the year by £1,188 and to increase the deferred tax asset by the same amount.

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10. Property, plant and equipment and right-of-use assets

	Right-of-use assets £	Computer Equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 April 2020	193,806	102,103	102,278	398,187
Additions	-	245	6,304	6,549
At 31 March 2021	193,806	102,348	108,582	404,736
Accumulated depreciation				
At 1 April 2020	51,796	78,184	53,478	183,458
Expense for the year	58,359	15,137	24,244	97,740
At 31 March 2021	110,155	93,321	77,722	281,198
Net book value				
At 31 March 2021	83,651	9,027	30,860	123,538
At 31 March 2020	142,010	23,919	48,800	214,729

11. Deferred tax asset

	Share-based payment £	Fixed assets timing differences £	Short term timing differences £	Total £
At 1 April 2019	50,029	(6,051)	836	44,814
Credit to the income statement	263	1,243	1,703	3,209
Share-based payment recognised in equity	(1,633)	-	-	(1,633)
At 31 March 2020	48,659	(4,808)	2,539	46,390
Debit to the income statement	(42,122)	5,478	552	(36,092)
Share-based payment recognised in equity	(6,537)	-	-	(6,537)
At 31 March 2021	-	670	3,091	3,761

Short term timing differences comprise unpaid employer pension contributions.

12. Trade and other receivables

	2021 £	2020 £
Trade receivables (net of expected credit loss allowance)	875,246	831,773
Amounts owed by parent undertaking	16,245,310	16,001,168
Amounts owed by other group undertakings	9,150,879	3,559,634
Prepayments	103,982	112,055
Refundable deposits	4,200	4,200
	26,379,617	20,508,830

Credit quality of customers is assessed by taking into account the current financial position of the customer, past experience and forward looking factors, including economic outlook. The historical level of customer default is low and, as a result, the credit quality of period end trade receivables is considered to be high. Trade receivables are considered past due once they have passed their contracted due date. The Company reviews trade receivables past due but not impaired on a regular basis and in determining the recoverability of the trade receivables, the

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Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Amount owed by Group undertakings are interest free, unsecured and repayable on demand.

13. Trade and other payables

	2021	2020
	£	£
Trade payables	59,298	188,071
Accruals	174,826	197,516
VAT Payable	461,582	617,165
Social security payable	34,380	44,730
Other payables	14,525	19,104
Amounts due to other group undertakings	16,725,822	11,873,441
	<u>17,470,433</u>	<u>12,940,027</u>

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

14. Lease liabilities

	2021	2020
	£	£
Buildings		
At 1 April	137,384	-
Transition on adoption of IFRS 16	-	115,058
Additions	-	78,748
Principal repayments	(58,507)	(61,134)
Interest	3,579	4,712
	<u>82,456</u>	<u>137,384</u>
At 31 March		
At 31 March		
Current	56,728	54,940
Non-current	25,728	82,444
	<u>82,456</u>	<u>137,384</u>

15. Called-up share capital and reserves

	2021	2020
	£	£
Allotted and fully paid		
2,000 Ordinary shares of £0.001 each	<u>2</u>	<u>2</u>

Share-based payment reserve

The share-based payment reserve relates to the charge for the share-based payment in accordance with International Financial Reporting Standard 2.

Retained earnings

Retained earnings represents the cumulative earnings of the Company attributable to equity shareholders.

16. Retirement benefit scheme

The Company operates a defined contribution stakeholder pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees.

The pension expense for the year represents contributions payable to employees' private pension schemes and amounted to £62,362 (2020: £60,429).

Contributions amounting to £14,525 (2020: £13,367) were payable to the scheme and are included in other payables at year end.

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17. Share based payments

The share-based payment expense relating to employee share schemes in the year was £78,889 (2020: £63,236).

The Company operated the following schemes during the year for options issued to the Directors and key employees. Certain options granted under the schemes included accelerated vesting on a change in control of the group, in which case the share-based payment charge that would otherwise have been recognised in future periods has been recognised in the current year.

2014 Unapproved Option Plan

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment and meeting performance targets for the Group's EPS. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2021		As at 31 March 2020	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	2.80	299,171	1.44	93,594
Granted	-	-	2.96	268,000
Exercised	2.12	(65,946)	1.42	(62,423)
Forfeited	3.00	(233,225)		
At 31 March	-	-	2.80	299,171

The aggregate fair value of options granted in the year is £nil (2020: £112,201).

There are no options outstanding at 31 March 2021 (2020: outstanding options have a weighted average remaining contractual life of 9.2 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model in both years were a risk free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

CSOP

The plan was established on 26 June 2014. The options granted vest over a period of 0-4 years and are dependent upon continued employment. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of 10 years from the grant date.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2021		As at 31 March 2020	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	1.96	120,627	1.84	162,783
Granted	-	-	3.21	9,000
Exercised	1.92	(114,127)	1.81	(45,781)
Forfeited	2.74	(6,500)	1.81	(5,375)
At 31 March	-	-	1.96	120,627

The aggregate fair value of options granted in the year is £nil (2020: £7,185).

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There are no options outstanding at 31 March 2021 (2020: outstanding options have a weighted average remaining contractual life of 6.4 years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model in both years were a risk free interest rate of 0.42% to 1.72%, exercise price shown above, an expected option life of five years, volatility of 7% to 70% depending on the vesting date of the options and a dividend yield of nil.

Save As You Earn

The plan was established on 6 August 2020. The options granted vest over a period of 3 years and are dependent upon continued employment. The options will be forfeited if the employee leaves the Group.

Details of the share awards outstanding during the year are as follows:

	As at 31 March 2021		As at 31 March 2020	
	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)	Number of share options
At 1 April	-	-	-	-
Granted	2.96	26,023	-	-
Exercised	2.96	(184)	-	-
Forfeited	2.96	(18,301)	-	-
At 31 March	2.96	7,538	-	-

The aggregate fair value of options granted in the year is £12,233 (2020: £nil). The options outstanding at 31 March 2021 have a weighted average remaining contractual life of 0.4 years (2020: nil years).

The fair value at grant date has been determined using the Black-Scholes valuation model. The significant inputs into the model were a risk-free interest rate of (0.04)%, exercise price shown above, an expected option life of three years, volatility of 30% and a dividend yield of nil.

18. Parent undertakings

The Company's immediate parent undertaking is IMImobile Limited (formerly IMImobile PLC), a company incorporated in the United Kingdom.

At 31 March 2021, IMImobile Limited is the parent undertaking of the smallest group to consolidate these financial statements. These consolidated financial statements may be obtained by request from IMImobile, 5 St. John's Lane, London, EC1M 4BH, the registered address of IMImobile Limited.

The ultimate parent undertaking and largest group to consolidate these financial statements is Cisco Systems Inc. These financial statements are available from <https://investor.cisco.com>

The address of Cisco Systems Inc is 170 West Tasman Drive, San Jose, California, 95134-1706, USA.

19. Post balance sheet event

Disposal of intellectual property

In August 2021, Txtlocal Limited sold its internally generated intellectual property to another subsidiary of the Cisco group for a total consideration of £45.7 million, all of which has been passed back to parent undertakings as dividends.